

FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses Global Insight's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the October 2005 to the January 2006 *Idaho Economic Forecast*. The October 2005 *Idaho Forecast* is based on Global Insight's September 2005 baseline forecast and the January 2006 *Idaho Forecast* is driven by Global Insight's November 2005 baseline U.S. macroeconomic forecast.

A comparison of several key variables reveals the national economic forecast has changed little compared to the previous forecast. The magnitudes of these differences are highlighted in the table on the facing page. The biggest differences between the current and previous forecasts are the inflation outlooks. As the table shows, all inflation indicators have been raised compared to their previous values reported in the October 2005 *Idaho Economic Forecast*. The table also shows that once other key measures are adjusted for this higher inflation, the differences between current and previous measures shrink. For example, nominal GDP is noticeably higher in each year of this forecast compared to the previous forecast. However, real output, which is nominal GDP adjusted for inflation, is little different than its predecessor. The higher inflation has also influenced U.S. personal income, but in a different way. Notice there is little difference between the current and previous forecasts nominal U.S. personal income. After adjusting for the higher inflation in the current forecast, real U.S. personal income is slightly lower compared to the previous forecast. The outlook for U.S. nonfarm employment is virtually unchanged from the previous forecast. Another change influenced by the anticipated higher inflation is the federal funds rate. It is assumed the nation's central bank will respond aggressively to price increases by raising its bellwether short-term interest rate above levels forecast just a few months ago.

Idaho's economic outlook has improved marginally compared to the previous forecast. This improvement is evident in both the nonfarm employment and personal income statistics. Idaho nonfarm employment is projected to be 550 (0.1%) higher than the amount forecast in October 2005. Employment is also stronger in the remaining years of the forecast, with 2006 up 2,056 (0.3%), 2007 up 2,045 (0.3%), and 2008 up nearly 3,000 (0.4%). The stronger Idaho employment outlook, along with the improved average wage forecast, raises the prospects for Idaho wage and salaries, which, in turn, boosts Idaho personal income after 2005. Specifically, compared to its October 2005 counterpart, Idaho nominal personal income is 0.3% higher in 2006, 0.5% higher in 2007, and 0.6% higher in 2008. As the table shows, Idaho real personal income is also stronger than had been previously forecast.

**IDAHO ECONOMIC FORECAST
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DIFFERENCES BETWEEN
JANUARY 2006 AND OCTOBER 2005 FORECASTS**

	2000	2001	2002	2003	2004	2005	2006	2007	2008
GDP (BILLIONS)									
Current \$	0	0	0	0	0	13	63	33	40
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.5%	0.2%	0.3%
2000 Chain-Weighted	0	0	0	0	0	5	9	-10	-14
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	-0.1%	-0.1%
PERSONAL INCOME - CURR \$									
Idaho (Millions)	0	0	0	0	0	-88	117	217	281
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	0.3%	0.5%	0.6%
U.S. (Billions)	0	0	0	0	0	-26	-27	-4	3
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.2%	0.0%	0.0%
PERSONAL INCOME - 2000 \$									
Idaho (Millions)	0	0	0	0	0	-54	79	146	137
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	0.2%	0.4%	0.3%
U.S. (Billions)	0	0	0	0	0	-16	-30	-14	-23
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.2%	-0.3%	-0.1%	-0.2%
TOTAL NONFARM EMPLOYMENT									
Idaho	2	4	4	3	36	550	2,056	2,045	2,284
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%	0.3%	0.4%
U.S. (Thousands)	0	0	0	0	0	-11	19	91	71
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
GOODS PRODUCING SECTOR									
Idaho	1	1	2	1	-2	-967	-873	-1,307	-1,333
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	-0.9%	-0.8%	-1.2%	-1.2%
U.S. (Thousands)	0	0	0	0	0	-5	60	54	2
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.2%	0.0%
NONGOODS PRODUCING SECTOR									
Idaho	1	3	2	2	37	1,517	2,929	3,352	3,617
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%	0.6%	0.6%	0.7%
U.S. (Thousands)	0	0	0	0	0	-5	-42	37	69
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
FINANCIAL MARKETS									
Federal Funds Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%	0.1%	0.0%
Bank Prime Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%	0.1%	0.0%
Mort Rate, Existing Homes	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.4%	0.2%	0.1%
INFLATION									
GDP Price Deflator	0.000	0.000	0.000	0.000	0.000	0.084	0.456	0.374	0.467
Personal Cons Deflator	0.000	0.000	0.000	0.000	0.000	-0.078	0.069	0.121	0.290
Consumer Price Index	0.000	0.000	0.000	0.000	0.000	-0.002	0.002	0.002	0.005

Forecast Begins the **THIRD** Quarter of 2005